

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04 TRSE-00

LAB-04 SIL-01 SAM-01 OMB-01 XMB-02 /052 W

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R 071732Z OCT 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 9704

INFO ALL EC CAPITALS 1164

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PASS TREASURY AND EXIMBANK

E.O. 11652: N/A

TAGS: EFIN, EEC, GATT, ETRD

SUBJECT: EXPORT INFLATION INSURANCE

REFS: (A) GENEVA 7602 (B) LONDON 14476 (C) EC BRUSSELS 5967
(D) STATE 153299

1. EC COMMISSION OFFICIALS HAVE CONFIRMED TO US THE REPORT (REF A) THAT THE EC COMMISSION PLANS TO ADOPT A POSITION AGAINST MEMBER STATE EXPORT INFLATION INSURANCE SCHEMES. THE COMMISSION HAS NOT YET DECIDED ON WHETHER TO SEND ITS VIEWS TO THE COUNCIL IN THE FORM OF A RESOLUTION OR TO SEEK A COUNCIL DECISION ON THIS ISSUE. THE COMMISSION IS CONSIDERING ASKING THE MEMBER STATES TO AGREE TO PHASE OUT THEIR INSURANCE SCHEMES OVER A TWO YEAR PERIOD. THIS PERIOD WOULD COINCIDE WITH THE CURRENT DURATION OF THE UK SCHEME. THE COMMISSION IS EXPECTED TO TAKE A DECISION ON THIS ISSUE BEFORE THE END OF THE YEAR.

2. COMMISSION OFFICIALS BELIEVE THAT THESE INSURANCE SCHEMES MAY BE ILLEGAL UNDER THE EC TREATY, SUCH AS UNDER ARTICLE 112. THE OFFICIALS SAY THAT THE

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COMMISSION IS NOT PREPARED TO TAKE THE MEMBER STATES CONCERNED

TO THE EUROPEAN COURT ON THIS ISSUE AT THE PRESENT TIME. THERE IS A CASE, HOWEVER, CURRENTLY BEFORE THE COURT WHICH COULD ESTABLISH THE COMMUNITY'S AUTHORITY TO HARMONIZE AND COORDINATE EC EXPORT CREDITS. SHOULD THIS CASE AFFIRM ITS AUTHORITY, THE COMMISSION WILL BE IN A BETTER POSITION TO JUDGE THE DESIRABILITY OF TAKING THE ISSUE OF THE LEGALITY OF INSURANCE SCHEMES TO THE COURT.

3. UK PERM REP SOURCES SAY THE UK LAUNCHED ITS INFLATION INSURANCE SCHEME IN PART TO MEET THE GROWING COMPETITION FROM THE FRENCH SCHEME. IF FRANCE AND ITALY WOULD AGREE TO PHASE OUT THEIR SCHEMES, THE UK MIGHT ALSO AGREE TO GO ALONG. THE ITALIANS HAVE REPORTEDLY NOT USED THEIR SCHEME THIS YEAR BUT FRANCE HAS EXPANDED THE USE OF ITS SCHEME.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INFLATION, EXPORT INSURANCE
Control Number: n/a
Copy: SINGLE
Draft Date: 07 OCT 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ECBRU09002
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750348-0407
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751075/aaaacoxr.tel
Line Count: 78
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 GENEVA 7602, 75 LONDON 14476, 75 EC BRUSSELS 5967
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 24 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 APR 2003 by ShawDG>; APPROVED <28 APR 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EXPORT INFLATION INSURANCE
TAGS: EFIN, ETRD, EEC, GATT
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006